

for existing rental properties serving low-income households, local sponsors provide funds to rental property owners to make improvements to their properties while keeping the housing units affordable for lower-income households. Under the Homeownership subprogram, local sponsors can provide funds to lower-income property owners to make improvements to their recently purchased, within 24 months, property, and local sponsors operating first-time homebuyer programs can provide assistance to low-income households to aid in the purchase of a home.

Federal Housing Programs

Federal housing programs active within Waukesha County are sponsored by the U. S. Department of Housing and Urban Development and by the U. S. Department of Agriculture, Farmers Home Administration.

U. S. Department of Housing and Urban Development: The U. S. Department of Housing and Urban Development (HUD) administers a number of housing and housing-related programs, including the Section 8 Low-Income Rental Assistance Program, the Low Income Public Housing Program, the Community Development Block Grant (CDBG) Program, and the Home Investment Partnership Act (HOME) Program. In order for units and agencies of government to apply for and receive HUD housing grants or public housing funds, they must prepare a Comprehensive Housing Affordability Strategy (CHAS) and submit that strategy to HUD for approval. The CHAS is an action-oriented planning tool used to set forth realistic measures needed to meet identified housing needs within the area concerned. The purpose of the CHAS is to help ensure that communities receiving funding from HUD have planned for the housing and housing-related needs of low- and moderate-income households in a way that improves the availability and affordability of adequate housing in a suitable living environment. The CHAS must also include consideration of persons needing supportive services, identify the manner in which private resources will be incorporated in addressing identified housing needs, and provide for both rental and homeownership options.

Section 8, Low-Income Rental Assistance Program: The Section 8 program was established under the Housing and Community Development Act of 1974 to provide rent subsidies enabling lower-income families to secure adequate housing in the private market. Through the Section 8 program, the U. S.

Department of Housing and Urban Development provides a subsidy equal to the difference between what a lower-income household can afford and the fair-market rent for an adequate housing unit. Housing thus subsidized by HUD must meet certain standards of safety and sanitation and rents for some of the units must fall within the range of fair market rents established annually by HUD.¹⁸

Part of Section 8 rental assistance for Waukesha County is disbursed to individual renters at the local level through the Waukesha Housing Authority. HUD enters into an annual contribution contract with local housing authorities to provide subsidies to lower-income renters in the form of certificates and vouchers.¹⁹ The local housing authority receives the rent subsidy from HUD, and tenants pay 30 percent of their adjusted gross income²⁰ towards the rent of a privately owned apartment or home which the tenant selects. The subsidy amount, disbursed to the tenant by the local housing authority, is the difference between the fair market-rent for each dwelling and the tenant's rent payment based on 30 percent of the tenant's adjusted gross income.

¹⁸*The fair-market rents for the Milwaukee area, of which Waukesha County is a part, have been adjusted upward 17 to 20 percent for Waukesha County to obtain the approved exceptions to fair market rent. The resultant fair-market rents for Waukesha County in 1994 were as follows: no-bedroom unit, \$403; one-bedroom unit, \$527; two-bedroom unit, \$661; three-bedroom unit, \$827; four-bedroom unit, \$924. In 1993, Waukesha County applied for, and was granted, an exception to HUD established fair market rents for the Milwaukee area for purposes of administering the Section 8 program.*

¹⁹*Section 8 assistance is provided to recipients in the form of certificates and vouchers. Certificates must be used for housing units which have a rent and utility cost at or below the existing fair-market rent, while vouchers can be used for any housing unit, irrespective of the rent and utility charges.*

²⁰*Adjusted gross income is defined by the U. S. Department of Housing and Urban Development as the annual gross income minus \$480 for each minor child. Elderly, disabled, and handicapped families qualify for a \$400 deduction and may also qualify for medical-expense deductions.*

The Waukesha Housing Authority administered a total of about 810 Section 8 housing certificates and vouchers in 1994: about 540 in the City of Waukesha, about 50 in the City of New Berlin, and about 220 in the remainder of Waukesha County. In the past several years, the Housing Authority has received more renter applications for Section 8 assistance than vouchers or certificates were available. The process the Housing Authority must follow to obtain additional Section 8 vouchers from HUD takes approximately 18 months and is dependent on the availability of funds. The availability of additional funds varies from year to year and may in some instances be restricted to relatively narrow subgroups of the population, such as homeless veterans or single-parent families. The result of this process is that the supply of Section 8 funding is substantially less than the demand; the County waiting list for Section 8 low-income rental assistance, which included about 1,500 applicants at the end of 1994, continues to grow.

Another part of Section 8 rental assistance for Waukesha County is disbursed at the local level directly to individual property owners. Until the mid-1980s, under the former "New Construction" component of the Section 8 program, HUD entered into long-term, 20-year contribution contracts with individual property owners to provide subsidies for lower-income tenants. Under contracts remaining in effect in 1994, property owners receive rent subsidies from HUD and tenants pay 30 percent of their adjusted gross income toward the rent of the housing units for which the subsidies are received. Section 8 assistance received by property owners in this regard is associated with the housing unit rather than with the tenant; thus if the tenant moves the subsidy remains with the housing unit. The subsidy amount is the difference between the fair-market rent for each dwelling and the rental payment based on 30 percent of the tenant's adjusted gross income. The housing unit concerned must have a rent and utility cost which falls within the fair-market rent range established by HUD.

In 1994, there were about 1,180 housing units in 16 rental housing projects in Waukesha County receiving Section 8 assistance directly from HUD. Of these, about 550 housing units in eight projects, or about 47 percent of the total, were located in the City of Waukesha. Elsewhere in the County, about 120 such housing units were located in the City of Oconomowoc, about 120 units were located in the Village of Butler, about 120 units were located in

the Village of Menomonee Falls, about 120 units were located in the Village of Sussex, about 100 units were located in the Village of Hartland, and about 50 units were located in the City of Delafield. Because the New Construction component of the Section 8 program, which enabled property owners to receive Section 8 assistance for their rental housing units, was eliminated in 1981, the number of rental housing units subsidized by HUD in that manner will decrease to zero as contracts with property owners expire within the next ten years.

Low-Income Public Housing: Low-income public housing, established under the U. S. Housing Act of 1937, is the oldest national low-income housing program. Although the program subsists on Federal funding, it is intended to be a locally administered and controlled program. Under the program, local housing authorities may apply for funds from the U. S. Department of Housing and Urban Development to provide low-rent housing units in their community. Financing for construction of public housing units is arranged by the local housing authority. Full payment of the principal and interest for that construction is subsequently received from HUD through a local annual contributions contract with the local housing authority. Once the housing is built and occupied, the cost of its operation is paid for by income from the rental payments of the tenants, based on 30 percent of their adjusted gross income.

The only public housing in the County, about 270 units in 1994, is located in the City of Waukesha. Because of Federal reductions in appropriations for new public housing units, no new units of this type are anticipated in the future. It should also be noted that at the end of 1994, the waiting list for public housing in Waukesha County contained about 1,100 applicants.

Community Development Block Grant Program: The Community Development Block Grant (CDBG) program, established under the Federal Housing and Community Development Act of 1974 and administered by the U. S. Department of Housing and Urban Development, provides annual "entitlement" grants directly to Waukesha County. The County and the City of Waukesha both have sufficient population to qualify for direct entitlement funding under the CDBG program; however, the City has agreed to participate in the County program. It should also be noted that in 1994, several communities in Waukesha County, including the City

of Muskego and the Villages of Chenequa, Menomonee Falls, Oconomowoc Lake, and Sussex, did not participate in the County CDBG program and are thus eligible to apply for CDBG funds through the State "small cities" CDBG program²¹ administered by the Wisconsin Department of Administration, Division of Housing.

The intent of the CDBG program is to develop viable urban communities by providing adequate housing and a suitable living environment and by expanding economic opportunities, primarily for low- and moderate-income persons. Grants are awarded to entitlement communities and to States for disbursement to nonentitlement communities in order to implement community development activities directed toward neighborhood revitalization, economic development, and the provision of community facilities and services. States must ensure that over a period of time, not to exceed three years, not less than 60 percent of the funds awarded to nonentitlement communities are used for activities which benefit low- and moderate-income persons. Eligible activities for use of CDBG funds include, but are not limited to, acquisition of property for public purposes; construction or reconstruction of streets, water and sewerage facilities, neighborhood centers, recreation facilities, and other public works; demolition; rehabilitation of public and private buildings; public services; planning activities; and assistance to nonprofit and private-for-profit entities for community development activities.

Entitlement communities and states develop their own specific programs and funding priorities under the CDBG program, but must give maximum feasible priority to activities which either benefit low- and moderate-income persons or aid in the prevention or elimination of slums and blight. In addition, activities may be implemented which the community or State certifies are intended to meet other development needs which are particularly urgent due to conditions posing a serious and immediate threat to public health or welfare for which other financial resources are not available.

²¹*It should be noted that the City of Muskego and the Villages of Menomonee Falls and Sussex have received funds through the small cities CDBG program, administered by the State, in recent years. However, none of those funds have been allocated for housing-related programs.*

Home Investment Partnership Act (HOME) Program: The Home Investment Partnership Act program, established under the National Affordable Housing Act of 1990 and administered at the Federal level by the U. S. Department of Housing and Urban Development, provides annual grants to the State for disbursement to communities within Wisconsin. Waukesha County does not have sufficient population or serious enough distress criteria to qualify as an entitlement jurisdiction under HOME and thus must apply for funding on a competitive basis through the Wisconsin Department of Administration, Division of Housing.

The intent of the HOME program is to expand the supply of adequate affordable housing for low-income families, with an emphasis on rental housing; build State and local capacity to implement affordable housing programs; and provide coordinated assistance to program participants in the development of affordable low-income housing. Eligible activities under the HOME program include new construction, acquisition, and tenant-based rental assistance. A minimum of 90 percent of HOME funds must be targeted at families with incomes not exceeding 60 percent of the area median family income. In addition, each grantee must set aside 15 percent of its funds for nonprofit entities to assist it in efforts aimed at building its capacity to implement affordable housing programs.

U. S. Department of Agriculture, Farmers Home Administration: The Farmers Home Administration (FmHA) provides low-interest loans and grants to lower-income residents of rural areas to obtain housing. Rural areas include civil divisions or places with populations of 10,000 or less. Two FmHA housing-related programs, the Section 502 Rural Housing Subsidy Program and the Section 515 Rural Rental Housing Program, are oriented to the construction or purchase and substantial rehabilitation of housing units in rural areas of the County.

Section 502, Rural Housing Subsidy Program: The Section 502 Program, established under the Housing Act of 1949, provides loans in rural areas to construct, improve, repair, or rehabilitate single-family homes, including manufactured homes, and to provide adequate water and wastewater-disposal systems. Funds may also be used to modernize homes by adding bathrooms, central heating, modern kitchens, and such improvements as driveways and foundations. Eligible applicants include families and individuals who are without adequate housing and who are unable to obtain loans from

private lenders. Applicants must have sufficient income to meet loan payments and have a satisfactory credit history.

Loans can be made for 100 percent of the value of the property as appraised by FmHA, with a repayment term of 30 to 38 years. In Waukesha County, as of 1993, loans may not exceed \$95,000. The Section 502 program serves up to approximately 10 households per year in Waukesha County. There were about 70 outstanding Section 502 loans within the County at the end of 1994.

Section 515. Rural Rental Housing Program: The Section 515 program, established under the Federal Housing Act of 1949, provides loans in rural areas for construction, purchase, or rehabilitation of apartment-style rental housing, including duplexes, for households of low- and moderate-income²² and elderly persons.²³ Funds may also be used to buy or improve the land upon which buildings are to be located, provide streets and water and wastewater-disposal systems, and supply adequate recreational and laundry facilities. Eligible applicants include individuals, public agencies, cooperatives, and for-profit and nonprofit corporations. Except for public agencies, applicants must demonstrate that they are unable to obtain financing from other sources.

For-profit entities are required to provide initial operating capital equal to at least 3 percent of the cost of the project. Loans to nonprofit organizations or State and local public agencies can be made for up to 100 percent of the appraised value or development cost, whichever is less. Loans are repayable in up to 50 years for projects designated for elderly households and 40 years for other projects. In 1994, there were about 40 Section 515-financed rental housing units in Waukesha County, all located in the Villages of Dousman, Eagle, and Mukwonago.

Low-income rural families, including elderly, may pay reduced monthly rents for apartments they occupy under a rental assistance program available through the FmHA, subject to borrower participation and annual availability of funds. Families must be residents of rental housing projects financed by FmHA and must have a household income of 80 per

²²Low- and moderate-income definitions are the same as those established by the U.S. Department of Housing and Urban Development.

²³"Elderly households" are those with one or more persons age 62 and over.

cent or less than the area median family income²⁴ to be eligible to participate in the program. Tenants pay the basic rent or 30 percent of their adjusted gross income,²⁵ whichever is less, and payments are made to owners of the projects to subsidize the difference between what the tenant pays and fair market rents as established by FmHA on an individual project basis.

Summary of Government Activity in Housing

Table 107 contains a summary of the local, State, and Federal government housing-related programs described in this section of the chapter. It may be concluded that the government housing programs described here served about 4,000 households in Waukesha County in 1994. From this information and from the information presented in the housing needs section of the chapter, the level of government activity in housing within the County does not appear to be sufficient to address existing and probable future housing needs in the County, particularly among households with lower incomes.

HOUSING COSTS

The housing needs analysis presented earlier in this chapter indicated that about 13,500 households, or about 13 percent of the resident households in Waukesha County in 1990, were unable to adequate housing at a cost commensurate with their incomes. In addition, perhaps as many as 6,500 nonresident-worker households may have been unable to obtain adequate housing within the County at a cost commensurate with their incomes, assuming they would desire to reside in the County. Any effort to address housing problems in the County should thus consider whether it is practicable for the private sector to provide housing at lower cost, thereby making it more affordable to a greater number of resident households, as well as to nonresident households

²⁴The area median family income is set forth annually by the U.S. Department of Urban Development for the Milwaukee Metropolitan Statistical Area, of which Waukesha County is a part. The area median family income for a family of four, as set forth by HUD, was \$46,400 in 1994. This figure is utilized by many Federal and State housing and housing-related programs in determining the eligibility of recipients in Waukesha County.

²⁵The method of computing adjusted gross income for FmHA programs is the same as that used by HUD for the Section 8 programs. See footnote 20.